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DRAFTED BY STR:H.WILLIAMS:CEJ

APPROVED BY EB/OPF/FPD:M.BOERNER

AGRICULTURE: R.MCCONNELL

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY MONTEVIDEO IMMEDIATE

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E.O. 11652: N/A

TAGS: PFOR, XM, ETRD, ECON, EAGR, BR

SUBJECT: BRAZIL EXPORT CONTROLS ON CASTOR OIL

PASS AMBASSADOR EBERLE

1. FOLLOWING IS PART OF A LETTER OF APRIL 18, 1974 FROM
L. J. JUBANOWSKY, THE BAKER CASTOR OIL COMPANY TO AMBASSADOR
EBERLE WHICH REPORTS THAT CACEX HAS PLACED EXPORT CONTROLS
ON CASTOR OIL.

2. "BRAZIL IS THE WORLD'S LARGEST SUPPLIER OF CASTOR OIL AND
THE MAJOR SOURCE OF SUPPLY FOR THE UNITED STATES. BRAZILIAN
EXPORTS OF CASTOR OIL TO THE UNITED STATES IN 1973 WERE
101,000,000 POUNDS AND IN THE DOLLAR VALUE RANGE OF APPROXI-
MATELY DOLS. 50,000,000.

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3."IN THE PAST, THE EXPORTATION OF CASTOR OIL FROM BRAZIL

WAS ALWAYS BASED ON FREE TRADE AND THE NEGOTIATIONS BETWEEN BUYER AND SELLER. HOWEVER, IN RECENT MONTHS A BRAZILIAN AGENCY, CACEX, HAS PLACED EXPORT CONTROLS ON CASTOR OIL WITH REGARD TO A MINIMUM EXPORT PRICE; AND MORE RECENTLY WE HEAR THAT THEY ARE ALSO CONSIDERING CONTROLS ON THE AMOUNTS OF CASTOR OIL TO BE EXPORTED.

4. "THE HIGH MINIMUM EXPORT PRICE OF DOLS. 970.00, ARBITRARILY ESTABLISHED BY CACEX, HAS HAMPERED THE ABILITY OF AMERICAN INDUSTRY TO UTILIZE THIS MATERIAL. CASTOR OIL DISAPPEARANCE, AS REPORTED BY THE BUREAU OF CENSUS, HAS DECLINED FROM A PREVIOUS 12-14,000,000 POUNDS PER MONTH AVERAGE TO A PRESENT 7-9,000,000 POUNDS PER MONTH AVERAGE.

5. "WE HAVE STATED TO CACEX, AND THE CASTOR OIL PRODUCERS OF BRAZIL, THAT ARBITRARY PRICING AT THIS LEVEL MUST RESULT IN CONSUMPTION DECLINE. THIS HAS NOW TAKEN PLACE IN SPITE OF WORLDWIDE RAW MATERIAL UPSET FOR COMPETITIVE SUBSTITUTES, SUCH AS THOSE DERIVED FROM PETROLEUM STOCKS AND OTHER VEGETABLE OILS. THE HIGH ARBITRARY PRICING OF BRAZILIAN CASTOR OIL IS ALSO A DISSERVICE TO THE LONG-TERM INTERESTS OF BRAZILIAN PRODUCERS SINCE THESE CONTROLS MUST, AND ARE, INVITING PRODUCTION BY COUNTRIES OUTSIDE OF BRAZIL.

6. "WE WOULD HOPE, IN YOUR COMING MEETINGS, THAT YOU WILL BE ABLE TO SPEAK FOR FREE TRADE AND THAT YOU MAKE SPECIFIC REFERENCE TO CASTOR OIL."

7. WASHINGTON AGENCIES AGREE THAT ISSUE COULD BE RAISED WITH BRAZILIANS IF YOU AND EMBASSY DEEM IT APPROPRIATE. KISSINGER

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